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## ARIZONA DEPARTMENT OF TRANSPORTATION POLICIES AND PROCEDURES

### FIN-8.01 Inactive Projects

Effective: January 31, 2018

Supersedes: None

Responsible Office: Financial Management Services (FMS), (602) 712-7469

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#### 1.01 PURPOSE

This policy establishes the treatment of inactive projects.

#### 1.02 SCOPE

This policy applies to projects contained within the Statewide Transportation Improvement Program (STIP).

#### 1.03 AUTHORITY

23 CFR 630.106(a)(5)

FHWA Order 4560.1c Financial Integrity and Review (FIRE)

A.R.S. §28-6954

ADOT Stewardship and Oversight Agreement

#### 1.04 BACKGROUND

The following policy, procedures and responsibilities apply to project close outs and the identification and treatment of inactive projects.

Responsible fiscal control requires closing out projects in a timely manner to prevent funds from becoming idle and projects becoming inactive.

Inactive projects represent state, regional, local and/or federal funding that could be applied to other projects, thereby improving Arizona's transportation infrastructure and the fiscal stewardship. The objective of this policy is the efficient use of funding for projects across the state, while providing opportunities to more effectively apply available funding to those projects ready to proceed forward.

ADOT strives to keep all programmed projects advancing on schedule and is committed to working with LPAs, COGs/MPOs and other stakeholders to accomplish that mission. Foremost to this is communication among the project team, Project Manager, Financial Management Services (FMS) and others to effectively track project progress, identify points of concern and deploy countermeasures to ensure that projects advance and that funds are being applied to their most effective use.



Nothing in this policy shall restrict a de-authorized project from again seeking authorization once the project is ready to proceed.

Generally, the most common reasons projects become inactive include:

- The project funding authorization was requested too early (i.e., more than 90 days before the project will incur expenses, including costs associated with kick-off meetings, advertisements or billable work);
- A local public agency not invoicing ADOT for incurred costs in a timely fashion. ADOT requests that projects be billed at least monthly and no less than quarterly on self-administered (SA) projects or those administered by agencies with certification acceptance (CA) status;
- Lack of notification to responsible parties within ADOT of the completion of the project or specific project phases.

## 1.05 DEFINITIONS

Agreement Estimate Recapitulation	Final construction recap based on the awarded construction project and all below the line costs
Authorization	Approval of project funding by FHWA for federal aid projects or by Resource Administration for non-federal projects
Certification Acceptance Agency (CA)	Local Public Agency with a signed agreement with ADOT allowing them to administer most aspects of project development and construction
COG	Council of Government – regional planning organization for non-metropolitan areas
COG/MPO Ledger	The COG/MPO federal aid funding ledger. This document reflects the authorization status of projects in the current federal fiscal year, apportionments and obligation authority, transfers and loans, available and lapsing funds. Ledgers are prepared by ADOT Resource Administration for each COG/MPO and posted monthly on ADOT's website.
FHWA	Federal Highway Administration, a division of the US Department of Transportation specializing in highway transportation
FMS	Financial Management Services - ADOT division responsible for project funding, accounting, final vouchers, accounts receivable, accounts payable and other accounting and financial management functions
Inactive Project Phase	Project phase that has not had billing activity (including staff, consultant and contractor charges) within 180 calendar days



LPA	Local Public Agency – refers to a city, county, town or tribal entity that is a sponsor or provides financial contribution to a project phase
MPO	Metropolitan Planning Organizations (MPOs) are agencies or organizational arrangements that carry out the required planning process as described in the Federal-Aid Highway Act of 1962
Project Phase	Specific work phase of a project. Inactives are measured at the project phase level
Ready to Proceed	Stage of work for which funding is being requested is ready to begin expendable and/or reimbursable work activities (advertise/begin scoping or design - including project kick off meetings, acquire rights of way, relocate utilities, begin construction or commence a non-infrastructure project phase
Resource Administration	ADOT's Financial Management Services Resource Administration Unit, which processes and obligates project funding
Self-administration project	A Self-administration project is one where a Local Public Agency has been approved to administer the project development

## 1.06 POLICY

### A. It is the policy of ADOT that:

1. Finance authorization is requested only when a project phase is ready to proceed. This is defined as the stage of work for which funding is requested is ready to incur costs (advertise/begin scoping or design - including project kick off meetings, acquire rights of way, relocate utilities, begin construction or commence a non-infrastructure project phase);
2. Project phases are closed out in a process consistent with this policy and FMS Technical Bulletin 18-01, Inactive Projects; and
3. ADOT FMS reviews, tracks and reports on all inactive project phases on a weekly and monthly basis, and takes action to adjust funding on project phases that do not demonstrate progress as defined by this policy or are no longer valid.

### B. Inactive Project Phases

ADOT reviews and reports inactive project phases on a weekly and monthly basis for all project funding sources.

### C. Tracking Project Phase Status

Resource Administration tracks the status of all authorized project phases. Project phases that have not shown any financial expenditure activity for a period of 150 days are identified and included on the Potential Inactive Project Phase Report. This report is produced monthly and



uploaded to the Inactive Projects section of the FMS Transportation Funding page on the ADOT Internet site. This report identifies all project phases that will go inactive in the next month.

Each month, Resource Administration will send out the link to Division Representatives for the current month's report. The intent is for the Division Representatives to work with Project Managers in resolving any pending issues on potential inactive project phases. The Project Manager is expected to work with their project team to ensure legitimate charges are billed against the project phase (staff time, consultant/contractor invoices or invoices from the Local Public Agency) to keep the project phase active. If the project phase is complete, the Project Manager should email Resource Administration and request that the project phase be closed out; this includes working with all technical areas to ensure all billings are complete and any open encumbrances are liquidated.

If a project phase has not billed within 180 days, it appears on the Weekly Inactive Project Phase Report. This report is produced weekly and individual project managers are contacted to inquire about the status of their particular project.

Any inactive project phases not resolved within the first month will appear on the Inactive Project Phase Report. This report is produced monthly and uploaded to the Inactive Projects section of the FMS Transportation Funding page on the ADOT Internet site. This report includes all project phases that have not had billable activity for at least 180 days. The Project Manager will be required to provide documentation to Resource Administration within thirty (30) working days of appearing on the report justifying why the project phase needs to remain open. This justification should include:

- What is the current status of the project phase?
- Why is the project phase inactive?
- When is the next action or invoice expected? A specific date is required.
- Are there open contracts against the project phase that need to be accounted for?
- Is there excess funding that needs to be released? If not, what is the justification to keep the project phase funded?

If the project phase is complete, the Project Manager should email Resource Administration and request that the project phase be closed out; this includes working with all technical areas to ensure all billings are complete and any open encumbrances are liquidated. ADOT FMS will release excess funding back to the appropriate funding source; Statewide or Maricopa Association of Governments Regional Transportation Plan Freeway Program (MAG RTPFP) contingency for ADOT projects, or for local projects the funding will be released back to the COG or MPO for reprogramming on other projects (by June 30<sup>th</sup>) or loan to another COG or MPO by March 31<sup>st</sup>.

#### D. Deobligation of Inactive Project Funding

ADOT will make every effort to ensure projects remain active and funding is maintained through frequent and expected communication, coordination with the PM and examination/deployment of countermeasures to keep project phases advancing. However, for projects that cannot demonstrate substantial progress pursuant to Section 1.06 C, Tracking Project Status, funding may be subject to deobligation.



If ADOT identifies a project for deobligation, Resource Administration will send an email to the ADOT Project Manager. For local projects the Local Public Agency Section and Local Agency will be copied. The email will outline the current project status (funds available, days inactive) and steps necessary to remove the project from Inactive/Pending Deobligation status or to close out the project. The Project Manager will have 30 days to respond to Resource Administration identifying project status and next steps to be taken. If project cannot be removed from Inactive status, or if the project will not move forward, the funding will be deobligated from the project.

1. ADOT Projects

If funding from an ADOT project is deobligated, an email will be sent to the ADOT PM, ECS and MPO (if project is within an MPO boundary) identifying the project cancellation. The email will contain the following information:

- Notification of the date of the deobligation action
- Copy of the paperwork showing the project cancellation

Funds deobligated from an inactive project will be returned to the appropriate subprogram for reprogramming on another eligible project in the current state fiscal year.

2. Local Public Agency Projects

If funding from an LPA project is deobligated, a letter from the ADOT Chief Financial Officer will be sent to the LPA, FHWA, the applicable COG/MPO, the ADOT Local Public Agency Section and the ADOT Project Manager. The letter will contain the following information:

- Notification of the date of the deobligation action, noting various federal and IGA provisions
- Treatment of the deobligated funding
- If applicable, an invoice for any funding which must be repaid to FHWA with a due date

For local projects with COG/MPO administered funding the released funds will be returned to the COG/ MPO for reprogramming and reflected on the next month's COG/MPO Ledger. The funds must be either transferred or loaned by March 31 or obligated to another project by June 30. Any unobligated funds will revert to ADOT after June 30.

For ADOT administered local projects, the released funds will be returned to the appropriate subprogram (Modernization of Projects, Statewide Contingency or Project of Opportunity-Local TAP Projects) for reprogramming on another eligible project in the current state fiscal year.

**1.07 CORRESPONDING DOCUMENTATION**

Obligation Funds, Management Guide, Federal Highway Administration

FIN-5.01 HURF Exchange Program